

STATE OF CALIFORNIA
FISH AND GAME COMMISSION
FINAL STATEMENT OF REASONS FOR REGULATORY ACTION

Amend Sections 53.03, 149 and 149.1
Title 14, California Code of Regulations
Re: Non-Transferable Squid Light Permits and Permit Fees

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|------|--|--------------------|
| I. | Date of Initial Statement of Reasons: | May 31, 2006 |
| II. | Date of Pre-Adoption Statement of Reasons: | September 11, 2006 |
| III. | Date of Final Statement of Reasons: | December 28, 2006 |
| IV. | Dates and Locations of Scheduled Hearings: | |
| | (a) Notice Hearing: | |
| | Date: | June 23, 2006 |
| | Location: | Mammoth Lakes, CA |
| | (b) Discussion Hearing: | |
| | Date: | August 25, 2006 |
| | Location: | Santa Barbara, CA |
| | (c) Adoption Hearing: | |
| | Date: | October 6, 2006 |
| | Location: | San Diego, CA |
| | (d) Confirmation Hearing: | |
| | Date: | November 3, 2006 |
| | Location: | Redding, CA |
| V. | Update: | |

Commission Actions

The Commission considered action on three separate items pertaining to commercial squid fishing at its October 6, 2006 adoption hearing. The three items were as follows:

- 1) Establish a Non-Transferable Light Boat permit class and qualifying criteria for individuals who seek to purchase the permit;
- 2) Increase permit fees for all squid permit classes so that revenues paid to the Department are more in-line with the Department's estimated monitoring, management and enforcement costs; and
- 3) Modify existing regulations to incorporate logbook forms into "Appendix A" of Title 14. Logbooks must be filled out by every squid vessel and light boat operator during the course of fishing activities, and the records must be submitted to the Department.

At the October 6 adoption hearing, the Commission adopted items 1 and 3, and adopted other changes to the regulatory text for clarity and consistency, but declined to take action on the second item.

Because the Commission took action to establish the new Non-Transferable permit category, but did not choose to address squid permit fees, the fee for the new permit will be pursuant to subsection (b) of Section 699, Title 14, CCR. That is the default administrative fee for any permit issued by the Department where the fee is not otherwise specified in the Fish and Game Code or in Regulations of the Commission.

The originally-noticed regulatory text, contained in the May 31, 2006 Initial Statement of Reasons, included a fee range for the Non-Transferable Light Boat Permits of \$5,000 to \$8,000. Since the Commission declined to take action on fees, a fee from this range was not selected, and instead the default fee applies.

As a result of this application of subsection 699(b) to the Non-Transferable Light Boat Permit class, the Commission sent a Continuation Notice, dated October 17, 2006, to interested and affected parties.

Following the completion of this comment period, at its November 3, 2006 meeting, the Commission took action to confirm the actions taken at its October 6, 2006 adoption hearing.

A second Continuation Notice, dated December 5, 2006, was sent to interested and affected parties to notify them that the \$30.00 fee listed in subsection (b) of Section 699, once adjusted for inflation, is now \$40.50; and that a clarifying change to subsection (d) of Section 53.03 was made to reflect that the effective date of the regulations which establish the Non-transferable Market Squid Light Boat Permit Class will be upon filing of the regulations with the Secretary of State.

No public comments were received during this comment period; therefore, further Commission action was not necessary.

Modifications to the Regulatory Text

Four minor modifications have been made to the originally proposed language of the Initial Statement of Reasons, as described below.

1. In subsections 149.1(c)(5)(C) and 149.1(c)(6)(D), regulations specify that a light boat logbook form, 149b, must have been submitted to the Department to qualify for a permit by a particular date or within a specified range of dates. The noticed regulatory text proposes that (10/05) be added to describe the date this

form was created. However, a form dated 10/05 could not have been used to meet the criteria since the qualifying dates are all 2004 or earlier. Therefore, the Department proposes to strike this underlined language.

2. Similar to item one above, the originally-noticed regulatory language proposes addition of regulations in subsection 149.1(d)(1) that specify that a permit application be sent by mail “at the address specified on the application.” Since the deadline for application was in 2005, the mailing location that existed on the form at the time should remain the one referenced in the regulations. Therefore, the Department proposes to strike this underlined language.

3. Regulations in subsection 149.1(d)(1) specify that applications for initial issuance of market squid vessel permits, market squid brail permits, and market squid light boat permits received by the Department, or, if mailed, postmarked from July 1 through July 31, 2005, will be assessed a \$250 late fee. The Department proposes that the word “Transferable” be added to describe the class of light boat permit that this provision was applicable to. The application period for initial issuance of transferable light boat permits was during 2005. It is necessary to add this language to make clear that the reference was in fact only to the transferable light boat permits, and does not apply for those permits that are non-transferable.

4. New language is proposed to be added to subsection 149.1(o)(3)(F), to distinguish provisions that apply for non-transferable light boat permits that are placed aboard vessels that are lost, stolen, destroyed, or have suffered a major mechanical breakdown. In such circumstances, regulations allow such permits to be placed on a replacement vessel owned by the permit’s owner.

Unlike other permit classes, regulations in subsection 149.1(n) do not require that a light boat’s gross tonnage be provided for purposes of determining comparable capacity. Therefore, a light boat permit cannot really be transferred to a vessel of “comparable capacity” as there is no definition of “comparable capacity” specified for a light boat. Consequently, the Department proposes that a sentence be added to the regulations to clarify that, for purposes of placing a permit on a replacement vessel under the specific terms of the regulations for this permit class, a light boat of “comparable capacity” means any replacement vessel belonging to the owner that he or she chooses.

The proposed sentence to be added states: “A Non-Transferable Market Squid Light Boat Permit issued to an individual may not be transferred to another entity, but in the event the permitted vessel is lost, stolen or destroyed, or has suffered a major mechanical breakdown, the permit may be placed on a replacement vessel.”

In addition, the regulatory language has been updated to reflect the changes made to Section 149.1 in OAL Rulemaking File # 06-1103-01N.

VI. Summary of Primary Considerations Raised in Support of or Opposition to the Proposed Actions and Reasons for Rejecting those Considerations:

Responses to public comments received prior to September 11 were included with the Pre-Adoption Statement of Reasons dated September 11, 2006 (see attached).

Summary of Oral Testimony Provided at the November 3, 2006, Confirmation Hearing:

1. Paul Weakland – Spoke against transferable and non-transferable permit classes, because it is not equitable (non-transferable = “second-class citizens”), as the “overharvesters” are the ones rewarded with transferable permits.

Department Response: In this instance, the Commission took action establishing a Non-Transferable Squid Light Boat permit consistent with the intent and spirit of the “grandfather clause”, established in Section 8101 of the Fish and Game Code. The qualifying criteria for this permit class differ from that established for transferable light boat permits. Furthermore, the squid permit program already includes non-transferable permit classes for both market squid vessel permits and market squid brail permits. The Legislature and Commission have a long and extensive history of creating non-transferable permit classes that allow, under generally less rigorous or alternate qualifying criteria, individuals to continue in a fishery where a restricted access program is instituted, yet not provide them with an entitlement allowing for future sale of the permit to another owner.

Summary of Oral Testimony Provided at the October 6, 2006, Adoption Hearing:

1. Paul Weakland – Spoke against transferable and non-transferable permit classes, because it is not equitable (non-transferable = “second-class citizens”).

Department Response: See response provided above

2. John Duffy - A) Supports establishment of the new light boat permit class, as it will provide access to the fishery for long-term squid light boat fishermen who did not submit a logbook during the qualifying period for a transferable light boat permit. B) Requests consideration of making all grandfather squid permits transferable.

Department Response: A) Comment noted. B) The proposal to make the presently non-transferable permits transferable is beyond the scope of the proposed regulatory action currently under consideration by the Commission.

3. Jim Bunn – A) Questions enforcement cost estimates provided by the Department, since wardens are on salary. B) Stated that there are relatively few squid permits (172), but the permit costs are high. Crab and herring fisheries pay less, but have more permits, which seems “out of whack”.

Department Response: A) The enforcement cost estimates provided by the Department include those for personnel and operating expenses associated with at-sea squid patrol for large boats, small boats, and aircraft. Land-based patrol needs include those for dockside investigation of vessels and squid processing operations. Additional operating costs include those needed for investigations, prosecution, and report filing. Patrol activities include enforcement of permit requirements and other regulations specific to the squid fishery, such as closed areas and weekend closures. While wardens are salaried employees, they are limited to a set number of work hours per week, yet at-sea and dockside enforcement needs are often 24 hours a day, seven days per week.

B) The squid permit program originated from an industry-sponsored proposal to limit the number of participants in the fishery. The squid limited entry program is designed to “limit entry,” meaning that the fishery is not open to all who wish to fish for squid, and may be viewed as more restrictive than programs such as crab and herring in the sense that there are fewer permits. While the Department supported the squid program’s creation, it has also consistently held that costs for this regulatory program must be derived largely from the permit fee and landings taxes. In 2004, the Department recommended fee levels that were considerably higher than those adopted by the Commission. Fewer permits mean the Department must charge more per permit to offset costs. Regardless, the Commission declined to adopt the proposed fee increase at this time (item 2 of this rulemaking) and instead directed the Department to provide a full cost accounting for all commercial fisheries, to consider the issue in the broader context.

4. Dan Williams – A) The proposed fees would be a 2000 percent increase for light boat permits; B) supports establishment of the grandfather permit class and hopes that the issuance of these permits will not be drawn out any further.

Department Response: Comments noted. Permits cannot be issued until regulations are effective.

5. Jack Bateman – Wants to know why the squid fishery is the only fishery that has to pay for all management costs.

Department Response: See above response to comment #3. The Commission declined to act on the fee proposal and instead directed the Department to look at costs and revenues for all commercial fisheries before acting to increase fees for only the squid fishery.

6. Don Brockman – A) Does not support the proposed permit fees. Squid is a viable fishery, but is also an up-and-down fishery, and during El Nino years, the catches and revenues go down. The squid fishery pays considerably more than what other fisheries pay in permit fees. B) Supports re-establishment of the Squid Advisory Committee, as called for in the Squid FMP.

Department Response: A) Comment noted, see prior responses to comment #3 and 5. B) The advisory committee is a management cost that requires Department staff time and support. As described in the Initial Statement of Reasons, the Department's squid unit is presently understaffed; in part due to funding shortfalls from revenues derived from the commercial fishery. The advisory committee is one such piece of the FMP that cannot be fully implemented without adequate funding.

7. Mike Miller – The proposed permit fees are unfair and excessively high. The present fee levels are adequate. Also questions DFG costs on enforcement.

Department Response: Comments noted; see responses to comment #3 and 5.

8. Diane Pleschner-Steele, California Wetfish Producers Association – Presented data on landings taxes from wetfish industry (anchovy, mackerel, sardines, and squid). Asserted that the squid industry does pay its way. Proposes that the Department should look at the wetfish industry as a complex when it comes to funding squid management costs. Suggests the Department re-look at the overall budget. Enforcement costs are questionable, and it seems like costs have been double-counted in the Department's estimate. Squid is a dynamic fishery, and permittees cannot afford \$6,000 permit fees in perpetuity. Asks for cooperative research with the Department to be used to help offset management costs, and considers the effort a partnership that will expand knowledge on squid.

Department Response: Comments noted. The comments duplicate the speaker's prior written comments. See detailed responses to these written comments provided in the Pre-Adoption Statement of Reasons.

9. Gordon Daly – Supports making non-transferable permits transferable. Opposes costs of management being transferred to fishermen.

Department Response: Comments noted. See responses to comment #1, 2, 3 and 5.

VII. Location and Index of Rulemaking File:

A rulemaking file with attached file index is maintained at:
California Fish and Game Commission
1416 Ninth Street
Sacramento, California 95814

VIII. Location of Department files:

Department of Fish and Game
1416 Ninth Street
Sacramento, California 95814

IX. Description of Reasonable Alternatives to Regulatory Action:

- (a) Alternatives to Regulatory Action: A substantial number of squid permit and other management strategies have been proposed by stakeholders since the Commission was granted management authority over the squid fishery in 1998. Many of these management alternatives were provided in the Market Squid Fishery Management Plan (FMP) and considered by the Commission during the FMP adoption process up through 2004. Responses to recommended alternatives/comments are provided in Section 4 of the FMP – Responses to Comments Regarding the Preliminary Draft Market Squid FMP.
- (b) No Change Alternative: Should the Commission select the No Change Alternative, existing fishery regulations and statutes would continue to govern management of the resource. Under the No Change Alternative, the Commission would not issue Market Squid Light Boat Permits pursuant to the grandfather clause, nor increase revenues to more closely cover costs, and the Light Boat Logbook form DFG 149(b) that will be in use will not have the correct date listed in the regulation.
- (c) Consideration of Alternatives: In view of information currently possessed, no reasonable alternative considered would be more effective in carrying out the purposes for which the regulation is proposed or would be as effective and less burdensome to the affected private persons than the proposed regulation.

X. Impact of Regulatory Action:

The potential for significant statewide adverse economic impacts that might result from the proposed regulatory action has been assessed, and the following determinations relative to the required statutory categories have been made:

- (a) Significant Statewide Adverse Economic Impact Directly Affecting Businesses, Including the Ability of California Businesses to Compete with Businesses in Other States:

The proposed action will not have a significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states. The proposed regulations establish a Non-transferable Market Squid Light Boat Permit category and a \$40.50 permit fee for Non-transferable Market Squid Light Boat Permits. The Department estimates that between two and six individuals will qualify for this permit.

- (b) Impact on the Creation or Elimination of Jobs Within the State, the Creation of New Businesses or the Elimination of Existing Businesses, or the Expansion of Businesses in California: None.

- (c) Cost Impacts on a Representative Private Person or Business:

Qualified individuals wishing to purchase Non-transferable Market Squid Light Boat Permits would be subject to the \$40.50 permit fee.

- (d) Costs or Savings to State Agencies or Costs/Savings in Federal Funding to the State: None.

- (e) Nondiscretionary Costs/Savings to Local Agencies: None.

- (f) Programs mandated on Local Agencies or School Districts: None.

- (g) Costs Imposed on Any Local Agency or School District that is Required to be Reimbursed Under Part 7 (commencing with Section 17500) of Division 4: None.

- (h) Effect on Housing Costs: None.

Updated Informative Digest/Policy Statement Overview

Commission Actions

The Commission considered action on three separate items pertaining to commercial squid fishing at its October 6, 2006 adoption hearing. The three items were as follows:

- 1) Establish a Non-Transferable Light Boat permit class and qualifying criteria for individuals who seek to purchase the permit;
- 2) Increase permit fees for all squid permit classes so that revenues paid to the Department are more in-line with the Department's estimated monitoring, management and enforcement costs; and
- 3) Modify existing regulations to incorporate logbook forms into "Appendix A" of Title 14. Logbooks must be filled out by every squid vessel and light boat operator during the course of fishing activities, and the records must be submitted to the Department.

At the October 6 adoption hearing, the Commission adopted items 1 and 3, and adopted other changes to the regulatory text for clarity and consistency, but declined to take action on the second item.

Because the Commission took action to establish the new Non-Transferable permit category, but did not choose to address squid permit fees, the fee for the new permit will be pursuant to subsection (b) of Section 699, Title 14, CCR. That is the default administrative fee for any permit issued by the Department where the fee is not otherwise specified in the Fish and Game Code or in Regulations of the Commission.

The originally-noticed regulatory text, contained in the May 31, 2006 Initial Statement of Reasons, included a fee range for the Non-Transferable Light Boat Permits of \$5,000 to \$8,000. Since the Commission declined to take action on fees, a fee from this range was not selected, and instead the default fee applies.

As a result of this application of subsection 699(b) to the Non-Transferable Light Boat Permit class, the Commission sent a Continuation Notice, dated October 17, 2006, to interested and affected parties.

Following the completion of this comment period, at its November 3, 2006 meeting, the Commission took action to confirm the actions taken at its October 6, 2006 adoption hearing.

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date of the regulations which establish the Non-transferable Market Squid Light Boat Permit Class will be upon filing of the regulations with the Secretary of State.

No public comments were received during this comment period; therefore, further Commission action was not necessary.

Modifications to the Regulatory Text

Four changes have been made to the originally-proposed regulatory language, as follows below. The Department believes each item is non-substantive and makes only a technical or clarifying change, in the manner or manners described.

1. In subsections 149.1(c)(5)(C) and 149.1(c)(6)(D), regulations specify that a light boat logbook form, 149b, must have been submitted to the Department to qualify for a permit by a particular date or within a specified range of dates. The noticed regulatory text proposes that (10/05) be added to describe the date this form was created. However, a form dated 10/05 could not have been used to meet the criteria since the qualifying dates are all 2004 or earlier. Therefore, the Department proposes to strike this underlined language.
2. Similar to item one above, the originally-noticed regulatory language proposes addition of regulations in subsection 149.1(d)(1) that specify that a permit application be sent by mail “at the address specified on the application.” Since the deadline for application was in 2005, the mailing location that existed on the form at the time should remain the one referenced in the regulations. Therefore, the Department proposes to strike this underlined language.
3. Regulations in subsection 149.1(d)(1) specify that applications for initial issuance of market squid vessel permits, market squid brail permits, and market squid light boat permits received by the Department, or, if mailed, postmarked from July 1 through July 31, 2005, will be assessed a \$250 late fee. The Department proposes that the word “Transferable” be added to describe the class of light boat permit that this provision was applicable to. The application period for initial issuance of transferable light boat permits was during 2005. It is necessary to add this language to make clear that the reference was in fact only to the transferable light boat permits, and does not apply for those permits that are non-transferable.
4. New language is proposed to be added to subsection 149.1(o)(3)(F), to distinguish provisions that apply for non-transferable light boat permits that are placed aboard vessels that are lost, stolen, destroyed, or have suffered a major mechanical breakdown. In such circumstances,

regulations allow such permits to be placed on a replacement vessel owned by the permit's owner.

Unlike other permit classes, regulations in subsection 149.1(n) do not require that a light boat's gross tonnage be provided for purposes of determining comparable capacity. Therefore, a light boat permit cannot really be transferred to a vessel of "comparable capacity" as there is no definition of "comparable capacity" specified for a light boat. Consequently, the Department proposes that a sentence be added to the regulations to clarify that, for purposes of placing a permit on a replacement vessel under the specific terms of the regulations for this permit class, a light boat of "comparable capacity" means any replacement vessel belonging to the owner that he or she chooses.

The proposed sentence to be added states: "A Non-Transferable Market Squid Light Boat Permit issued to an individual may not be transferred to another entity, but in the event the permitted vessel is lost, stolen or destroyed, or has suffered a major mechanical breakdown, the permit may be placed on a replacement vessel."

In addition, the regulatory language has been updated to reflect the changes made to Section 149.1 in OAL Rulemaking File # 06-1103-01N.

The text below is that of the originally-noticed Informative Digest:

Item 1: Provide for a Non-Transferable Market Squid Light Boat Permit Classification

In response to recent public requests, the Fish and Game Commission (Commission) proposes to consider authorizing a Non-Transferable Market Squid Light Boat Permit category consistent with the intent of the grandfather clause, with qualifying criteria proposed as follows.

A Non-Transferable Market Squid Light Boat Permit may be issued to an individual that meets all of the following requirements:

- is the owner of a commercial fishing vessel that has been registered with the Department of Fish and Game (Department) pursuant to Fish and Game Code Section 7881 at the time of application;
- the individual must have been issued a Market Squid Vessel Permit or a Squid Light Boat Owner's Permit for the 2004-05 permit year for use on that vessel that has not been suspended or revoked;
- pursuant to Fish and Game Code Section 8101, the individual must have been licensed as a California commercial fisherman for at least 20 years at the time of application;

- the individual must have submitted to the Department at least one market squid light boat logbook form (DFG 149b) with fishing activity dated from January 1, 2001 through August 27, 2004 for that vessel.
- Only logbook forms from a vessel with a Market Squid Vessel Permit or a Squid Light Boat Owners Permit for the 2004-05 permit year that has not already qualified for issuance of a Transferable Market Squid Vessel Permit or a transferable Market Squid Brail Permit or a Transferable Market Squid Light Boat Permit are valid for consideration. Not more than one squid permit, regardless of the class of permit, may be placed on a particular vessel.

Proposed application criteria are as follows: All applications and permit fees for initial issuance of Non-Transferable Market Squid Light Boat Permits must be received by the Department, or, if mailed, postmarked on or before June 30, 2007. Applications and permit fees received by the Department, or, if mailed, postmarked from July 1 through July 31, 2007 will be assessed a \$250 late fee, notwithstanding Fish and Game Code Section 7852.2. Applications and permit fees received by the Department or postmarked after July 31, 2007 will be denied by the Department and returned to the applicant. Annual renewal procedures are as specified for other Market Squid Permit classifications.

If the Commission adopts the proposal to include a Non-Transferable Light Boat Permit class, the Commission will establish a fee for the permit as described in Item 2 below.

Unlike Transferable Market Squid Light Boat Permits, the proposed regulations would not allow the holder of a Non-Transferable Market Squid Light Boat Permit to upgrade his or her permit to a Non-Transferable Market Squid Brail Permit upon payment of an upgrade fee.

Based on license sales records and logbook records, the Department estimates that two individuals will meet the proposed qualifying criteria for this permit class, although it is possible that up to six may qualify. The Department believes that addition of two permits to the 170 that are already authorized will have, overall, a negligible impact upon the squid resource and the other fishery participants. However, addition of any permits to the fishery adds to the fishery's capacity, and one identified goal of the squid FMP and restricted access program is to reduce excessive fishing capacity.

Item 2: Adjust permit fees for all commercial squid permit classes to adequately cover Department and Commission costs.

Arising from the ongoing and increased workload associated with maintaining the squid permit system and squid fishery management and enforcement, in order to more adequately cover costs, the Commission has agreed to consider increased permit fees for all classes of squid permits.

When the Commission adopted the limited entry program in 2004, the following annual permit fees were established in subsection 149.1(i), Title 14, California Code of Regulations (CCR):

Market Squid Vessel Permit - Transferable - \$2,000.
 Market Squid Vessel Permit - Non-Transferable - \$1,000.
 Market Squid Brail Permit - Transferable - \$2,000.
 Market Squid Brail Permit - Non-Transferable - \$1,000.
 Market Squid Light Boat Permit - Transferable - \$600.

Based on recent cost estimates, the Department proposes the Commission increase the fee for each permit class to an annual level of \$5,000 - \$8,000. This proposed fee range would also apply to the Non-Transferable Light Boat Permit category, if one is created.

Table 1 - Recent Squid Revenue to DFG - All Sources

	2003/04 Permit Year	2004/05 Permit Year	2005/06 Permit Year
Landing Tax Revenue (\$3.80 paid to Dept per ton)	\$228,900	\$204,800	\$300,900
Permit Sale Revenue	\$89,400	\$83,900	\$231,400
Total Revenue to DFG	\$318,300	\$288,700	\$532,300

As described in Table 1 above, revenue to the Department for commercial squid monitoring, management and enforcement activities come from two primary sources: the \$3.80 per-ton tax on landings established by the Legislature, and the sale of commercial squid fishery permits. Because the Legislature established this tax rate, the Commission does not have authority to alter it with its own regulations, leaving permit fees as the mechanism the Commission may use to acquire needed funds for squid programs.

For the 2005/2006 permit year, squid landings taxes and permit fees paid to the Department totaled \$532,300; which represented about 1.3 percent of the ex-vessel value of the fishery in that season.

However, a recent examination of Department-wide costs for all squid-related work indicates that costs, on average, have totaled approximately \$1,369,000 per year. Table 2 below itemizes these costs below and describes the tasks involved where costs are incurred.

**Table 2 - Comprehensive Cost Estimate for Management
Of the Market Squid Fishery and Resource
(Costs to All Department Functions)**

Specific Tasks or Services Provided	Region/Branch /Division Impacted	Annual Cost Estimate*
1. Market Squid Fishery Management Plan (FMP) Development and Implementation – Staff perform squid fishery monitoring and biological sampling, analyze catch data, maintain the fishery logbook program, comply with CEQA processes and requirements, and participate in state/federal cooperative management efforts (squid is also included in the federal Coastal Pelagics FMP). Participate in collaborative squid research activities as time and funding allow, and respond to ongoing industry and public inquiries. Also responsible for restricted access program development and analytical support required to maintain the restricted access program.	Marine Region - Market Squid Project	\$550,000 - \$964,000**
2. Commercial Fisheries Information System (commercial catch records and database management) – Staff perform data entry, error checking and database management required for approximately 4,000 squid landings each year. On request, staff provide catch information to fishermen, enforcement, courts, and licensing staff (for purposes of evaluating permit appeals). Staff are also responsible for development of landing receipt protocols and monitoring compliance.	Marine Region Biostatistical Unit	\$30,000
3. Marine Region Policy - CEA costs and support – Provides policy recommendations to the Directorate regarding squid management, FMP content, regulations, permit requirements and procedures. Also serves as the California representative on the PFMC and represents the Department in other inter-agency management and research issues involving squid. Directs and supervises marine staff working on squid, oversees budgets, and serves as point person for fishery industry meetings and matters involving the Commission. Includes costs for executive support.	Marine Region – CEAs and support	\$14,000
4. Marine Region Regulatory Costs – Staff draft regulations and supporting documents for the FMP and the restricted access program; respond to Commission requests for rule changes, and provide economic, fiscal and other analyses as requested.	Marine Region – Regulatory Unit	\$24,000
5. Marine Region License Counter and Administrative Support - Mailing and documentation of logbook records, provide license counter clerical assistance in Monterey and Los Alamitos, and respond to public inquiries.	Marine Region – Administrative function	\$6,000
6. Communication/Outreach costs – Maintain DFG website materials relating to the squid FMP, provide press releases, media responses and other information as needed for matters relating to squid science, research, fishery permit requirements, or fishing regulations.	Conservation Education Division	\$4,000
7. Enforcement Costs – Personnel and operating expenses associated with at-sea squid patrol for large boats, small boats, and aircraft. Land-based patrol needs include those for dockside investigation of vessels and squid processing operations. Additional operating costs include those needed for investigations, prosecution, and report filing. Patrol activities include enforcement of permit requirements and other regulations specific to the squid fishery, such as closed areas and	Enforcement Branch	\$523,000

weekend closures.		
8. Squid Permit Program – Issuance and tracking of six classes of squid permits, collection of fees, evaluation of permit transfer and upgrade requests. Respond to permit appeal requests made to the Department and the Commission. Staff also process annual permit renewals, respond to inquiries regarding permit requirements and transfer provisions, and develop the commercial regulations booklet and application forms annually.	License and Revenue Branch	\$102,000
9. Legal – Review of FMP and regulatory documents, respond to permitting and restricted access legal needs, and provide legal guidance to directorate. NOTE: Any litigation that may arise would substantially alter this cost estimate.	Legal Office	\$7,000
10. Legislative Affairs – Respond to proposed squid legislation; provide information to the Legislature and committees on the status of squid fishery management, inform directorate of proposed changes and develop policy recommendations.	Legislative Affairs Office	\$5,000
11. Directorate – Set Department policy relative to squid management, provide recommendations to the Commission, and represent the Department in squid discussion items at Marine Resource Committee meetings, Fish and Game Commission meetings, and permit appeal hearings. Includes costs for executive assistance and WIFD Regulatory Unit.	Executive Office	\$15,000
12. Distributed Administration - Costs to Department human resources for squid-specific personnel, accounting for squid programs, and budgets and audits functions relative to squid and squid landings. Staff track and process payment of quarterly squid landings taxes, determine allotments, track direct and indirect expenditures, and provide personnel support and services.	Human Resources, Accounting, Budgets and Audits Divisions	\$24,000
13. Information Technology (IT) - Maintain, enhance, modify and develop new components of the Commercial Fisheries Information System (CFIS) and other IT applications that support squid logbook and port sampling data, squid permits, commercial catch data, taxation and license compliance, and annual license and vessel registration renewals. In addition, staff analyze complex requests and generate ad hoc reports and extracts required to support the management of the Market Squid Fishery. Other staff functions that are impacted by this effort but not included in the cost estimate are server, network, and database administration and support, and PC support which provide critical IT infrastructure to Department staff.	Information Technology Branch	\$25,000
14. Fish and Game Commission – Set squid policy by adopting the FMP and supporting regulations, including those for the restricted access program. Hold Commission and Marine Resource Committee meetings throughout the state where squid management and policy are discussed. Hold permit appeal hearings and make decisions. Staff prepare regulatory documents, respond to public comments and inquiries, and fulfill other requirements of the Administrative Procedure Act.	Fish and Game Commission	\$40,000

Total Estimated Minimum Annual Costs = \$1,369,000

*Estimates derived by considering costs incurred over the past three permit years, as well as anticipated near-future costs. No adjustments for inflation or future cost increases are included.

** FMP implementation costs are provided as a range based on the extent to which funding would be provided for scientific research to be performed on a contract basis. Minimum baseline funding needs for squid monitoring and management under the FMP without any additional scientific research are estimated at \$550,000 annually. It should be noted that recent annual squid FMP expenditures have totaled only \$312,000 annually. These staffing levels continue to be inadequate to support the baseline monitoring items identified in the FMP, such as logbook and port sample data processing and analysis, and management needs.

To determine an appropriate fee level, Department costs must first be offset by the revenue anticipated to be taken in from landings taxes. Following from Table 1 above, the average amount earned from landings taxes over the past three seasons is approximately \$245,000.

Therefore, if minimum costs are \$1,369,000, the amount that would need to be generated from permit sales to fully cover these costs is (\$1,369,000 - \$245,000) or \$1,124,000. Since there are presently 170 permits, and the department might anticipate two additional permits to be sold with creation of a Non-Transferable Light Boat Permit Class, if all permits fees are set at the same level, a fee that might fully cover costs might be approximated by:

$$(\$1,124,000/172 \text{ permits}) = \$6,535 \text{ per permit}$$

At this time, the Department has provided a range of annual fee alternatives for each permit class of between \$5,000 and \$8,000 per squid permit. As it did in 2004, the Commission may again wish to select fees that differ depending on the class of the permit.

However, it should be noted that selecting a fee structure that results in an average cost of \$6,535 per permit would suggest that it is expected that the commercial squid fishery be responsible to cover all costs of the FMP, monitoring, and management of the squid fishery by itself, without any funds coming from other sources. However, other stakeholder groups have participated in discussions during the FMP development process, and during subsequent proceedings involving squid regulatory action.

For example, to the degree that the listed activities itemized in Table 2 are of benefit to recreational squid fisheries or to other recreational fishing opportunities that rely on squid management, it may be appropriate for the Commission to consider that when setting the fee level. The source of funds used in such instance would be Department Non-Dedicated Fish and Game Preservation Fund monies acquired by the sale of sport fishing licenses.

However, it should also be noted and consideration given to the fact that there is no direct source of funds paid to the Non-Dedicated Fish and Game Preservation from the environmental community, or from other non-consumptive resource stakeholders who do not purchase licenses. There is no permit that is issued for the non-consumptive use of the state's resources (i.e. birdwatching, whale watching, wildlife photography, hiking, kayaking, etc). So unless money is appropriated from the Legislature from the state's

general fund for the Department and Commission's work on squid activities, there is no way to recover costs for management which may serve to benefit these stakeholders. To date, there has been no such appropriation made, and thus in all past years the costs have been absorbed by sport and commercial licensees.

Item 3: Update Market Squid Light Boat Logbook Form Number and Add Logbook forms to Title 14 Appendix with other Logbook forms.

Pursuant to subsection 149(b), Title 14, CCR, any squid permittee must complete and submit an accurate record of his/her squid fishing/lighting activities on a form (Market Squid Vessel Logbook - DFG 149a (9/01), or Market Squid Light Boat Logbook - DFG 149b (9/01). These forms are incorporated by reference into the regulations. The Department proposes to update the date of DFG 149b to (10/05), and to add both forms to the Appendix section, for clarity and consistency with other logbook programs.